

**REPORT OF THE AUDIT OF THE
BULLITT COUNTY
SHERIFF**

**For The Year Ended
December 31, 2004**



**CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS
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CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Kenneth Rigdon, Bullitt County Judge/Executive
The Honorable Paul Parsley, Bullitt County Sheriff
Members of the Bullitt County Fiscal Court

The enclosed report prepared by Berger & Company, CPA, PSC, Certified Public Accountants, presents the statement of revenues, expenditures, and excess fees - regulatory basis of the County Sheriff of Bullitt County, Kentucky, for the year ended December 31, 2004.

We engaged Berger & Company, CPA, PSC to perform the audit of this statement. We worked closely with the firm during our report review process; Berger & Company, CPA, PSC evaluated the Bullitt County Sheriff's internal controls and compliance with applicable laws and regulations.

Respectfully submitted,

A handwritten signature in cursive script, reading "Crit Luallen".

Crit Luallen
Auditor of Public Accounts

Enclosure



EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE BULLITT COUNTY SHERIFF

**For The Year Ended
December 31, 2004**

Berger & Company, CPA, PSC has completed the Bullitt County Sheriff's audit for the year ended December 31, 2004. Based upon the audit work performed, the financial statement presents fairly, in all material respects, the revenues, expenditures, and excess fees in conformity with the regulatory basis of accounting.

Financial Condition:

Excess fees increased by \$179,477 from the prior year, resulting in excess fees of \$193,869 as of December 31, 2004. Revenues increased by \$267,731 from the prior year and expenditures increased by \$88,254.

Report Comment:

- The Sheriff Should Require Depository Institutions To Pledge Or Provide Sufficient Collateral To Protect Deposits

Deposits:

The Sheriff's deposits were not insured and collateralized by bank securities or bonds.

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The Honorable Kenneth Rigdon, Bullitt County Judge/Executive
The Honorable Paul Parsley, Bullitt County Sheriff
Members of the Bullitt County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of revenues, expenditures, and excess fees - regulatory basis of the County Sheriff of Bullitt County, Kentucky, for the year ended December 31, 2004. This financial statement is the responsibility of the County Sheriff. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the County Sheriff's office prepares the financial statement on a regulatory basis of accounting that demonstrates compliance with the laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the revenues, expenditures, and excess fees of the County Sheriff for the year ended December 31, 2004, in conformity with the regulatory basis of accounting.

In accordance with Government Auditing Standards, we have also issued our report dated September 29, 2005, on our consideration of the County Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

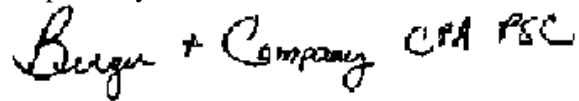
The Honorable Kenneth Rigdon, Bullitt County Judge/Executive
The Honorable Paul Parsley, Bullitt County Sheriff
Members of the Bullitt County Fiscal Court

Based on the results of our audit, we have presented the accompanying comment and recommendation, included herein, which discusses the following report comment:

- The Sheriff Should Require Depository Institutions To Pledge Or Provide Sufficient Collateral To Protect Deposits

This report is intended solely for the information and use of the County Sheriff and Fiscal Court of Bullitt County, Kentucky, and the Commonwealth of Kentucky and is not intended to be and should not be used by anyone other than these interested parties.

Respectfully submitted,

A handwritten signature in black ink that reads "Berger & Company CPA PSC". The signature is written in a cursive, flowing style.

Berger & Company, CPA, PSC

Audit fieldwork completed -
September 29, 2005

BULLITT COUNTY
PAUL PARSLEY, COUNTY SHERIFF
STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS

For The Year Ended December 31, 2004

Revenues

Federal Grants	\$	41,605	
State - Kentucky Law Enforcement Foundation Program Fund			117,572
State Fees For Services:			
Finance and Administration Cabinet	\$	111,341	
Cabinet For Human Resources		293	
		<hr/>	111,634
Circuit Court Clerk:			
Fines and Fees Collected			8,286
Fiscal Court			475,303
County Clerk - Delinquent Taxes			6,411
Commission On Taxes Collected			1,034,856
Fees Collected For Services:			
Auto Inspections	\$	17,100	
Accident and Police Reports		1,673	
Serving Papers		66,661	
Carrying Concealed Deadly Weapon Permits		21,510	
Sheriff's Advertising Cost		6,950	
Sheriff's Add-On Fees		118,423	
Fingerprints		1,020	
Election Commission		420	
Prisoner Transport		70	
		<hr/>	233,827
Other:			
Bond Refund	\$	102	
Tax Roll Sale		6,843	
Restitution		2,640	
Reimbursements		4,599	
Miscellaneous		10,649	
		<hr/>	24,833
Interest Earned			29,576

The accompanying notes are an integral part of this financial statement.

BULLITT COUNTY
 PAUL PARSLEY, COUNTY SHERIFF
 STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS
 For The Year Ended December 31, 2004
 (Continued)

Revenues (Continued)

Borrowed Money:

State Advancement	\$ 200,000
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Total Revenues	<u>\$ 2,283,903</u>
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Expenditures

Operating Expenditures and Capital Outlay:

Personnel Services-

Deputies' Salaries	\$ 1,250,834
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Employee Benefits-

Employer's Share Social Security	90,267
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Employer Paid Health Insurance	72,050
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Contracted Services-

Advertising	21,316
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Materials and Supplies-

Office Materials and Supplies	28,353
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Uniforms	22,770
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Auto Expense-

Gasoline	79,477
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Maintenance and Repairs	52,550
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Mileage	55
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Other Charges-

Conventions and Travel	4,072
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Dues	2,265
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Postage	11,607
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Insurance	1,076
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Bond	102
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Carrying Concealed Deadly Weapon Permits	10,340
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Miscellaneous	1,189
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Telephone Expense	27,126
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Transporting Prisoners	1,215
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The accompanying notes are an integral part of this financial statement.

BULLITT COUNTY
 PAUL PARSLEY, COUNTY SHERIFF
 STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS
 For The Year Ended December 31, 2004
 (Continued)

Expenditures (Continued)

Operating Expenditures and Capital Outlay: (Continued)

Capital Outlay-

Office Equipment	\$	55,729	
Vehicle Equipment		21,145	
Patrol Equipment		20,793	
Equipment Rental		3,500	
Vehicles		<u>25,599</u>	\$ 1,803,430

Debt Service:

State Advancement		<u>200,000</u>
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Total Expenditures	\$	<u>2,003,430</u>
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Net Revenues	\$	280,473
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Less: Statutory Maximum		<u>83,511</u>
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Excess Fees	\$	196,962
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Less: Training Incentive Benefit		<u>3,093</u>
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Excess Fees Due County for 2004	\$	<u>193,869</u>
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Payments to Fiscal Court - December 31, 2004	\$	133,869
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Payments to Fiscal Court - March 28, 2005		<u>60,000</u>
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Balance Due Fiscal Court at Completion of Audit	\$	<u><u>0</u></u>
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The accompanying notes are an integral part of this financial statement.

BULLITT COUNTY
PAUL PARSLEY, COUNTY SHERIFF
NOTES TO FINANCIAL STATEMENT

December 31, 2004

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of revenues over expenditures to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

KRS 64.820 directs the fiscal court to collect any amount, including excess fees, due from the County Sheriff as determined by the audit. KRS 134.310 requires the County Sheriff to settle excess fees with the fiscal court at the time he files his final settlement with the fiscal court.

The financial statement has been prepared on a regulatory basis of accounting, which demonstrates compliance with the laws of Kentucky and is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this regulatory basis of accounting revenues and expenditures are generally recognized when cash is received or disbursed with the exception of accrual of the following items (not all-inclusive) at December 31 that may be included in the excess fees calculation:

- Interest receivable
- Collection on accounts due from others for 2004 services
- Reimbursements for 2004 activities
- Tax commissions due from December tax collections
- Payments due other governmental entities for payroll
- Payments due vendors for goods or services provided in 2004

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the County Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

BULLITT COUNTY
PAUL PARSLEY, COUNTY SHERIFF
NOTES TO FINANCIAL STATEMENT
December 31, 2004
(Continued)

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost-sharing, multiple-employer defined benefit pension plan that covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members.

Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 7.34 percent for the first six months and 8.48 percent for the last six months of the year. Hazardous covered employees are required to contribute 8 percent of their salary to the plan. The county's contribution rate for hazardous employees was 18.51 percent for the first six months and 22.08 percent for the last six months of the year.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report which is a matter of public record. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, Kentucky 40601-6124, or by telephone at (502) 564-4646.

Note 3. Deposits

The Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times.

In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. The Sheriff entered into a written agreement with the depository institution and met requirements (a), (b), and (c) stated above. However, as of November 6, 2004, the collateral and FDIC insurance together did not equal or exceed the amount on deposit, leaving \$6,034,664 of public funds uninsured and unsecured.

BULLITT COUNTY
 PAUL PARSLEY, COUNTY SHERIFF
 NOTES TO FINANCIAL STATEMENT
 December 31, 2004
 (Continued)

Note 3. Deposits (Continued)

The county official's deposits are categorized below to give an indication of the level of risk assumed by the county official as of November 6, 2004.

	<u>Bank Balance</u>
FDIC insured	\$ 100,000
Collateralized with securities held by pledging depository institution in the county official's name	17,000,000
Uncollateralized and uninsured	<u>6,034,664</u>
Total	<u><u>\$ 23,134,664</u></u>

Note 4. Lease

The office of the County Sheriff was committed to a lease agreement with Custom Solutions, Inc. for computer hardware and software. The agreement requires a monthly payment of \$3,900 for 36 months to be completed on August 1, 2006. The total balance of the agreement was \$78,000 as of December 31, 2004.

Note 5. Federal Grants

A. Highway Safety Grant

The Bullitt County Sheriff's office was awarded a Highway Safety grant. During the year ended December 31, 2004, grant funds in the amount of \$41,605 were received.

Note 6. Project DARE Bank Account

This account is used to pursue DARE activities with donations. The beginning balance as of January 1, 2004 was \$2,319. Receipts for the year were \$650. Disbursements were \$1,841. Ending balance as of December 31, 2004 was \$1,128.

Note 7. Drug Confiscated Property Bank Account

This bank account is used to deposit and disburse funds received pursuant to property confiscated during the course of drug enforcement. The beginning balance as of January 1, 2004 was \$18,152. Receipts for the year were \$23,536. Disbursements were \$40,880. The ending balance as of December 31, 2004 was \$808.

BULLITT COUNTY
PAUL PARSLEY, COUNTY SHERIFF
NOTES TO FINANCIAL STATEMENT
December 31, 2004
(Continued)

Note 8. Tax Escrow Accounts

A. 2002 Tax Account

The 2002 tax escrow account is used to deposit any unrefundable duplicate payments and unexplained receipts in an interest bearing account. The beginning balance as of January 1, 2004 was \$10,470. Deposits for the period were \$1,580. Disbursements were \$6,957. The ending balance as of December 31, 2004 was \$5,093.

B. 2000 Tax Account

The 2000 tax escrow account is used to deposit any unrefundable duplicate payments and unexplained receipts in an interest bearing account. The beginning balance as of January 1, 2004 was \$4,255. Deposits for the period were \$95. Disbursements were \$91. The ending balance as of December 31, 2004 was \$4,259.

C. 1999 Tax Account

The 1999 tax escrow account is used to deposit any unrefundable duplicate payments and unexplained receipts in an interest bearing account. The beginning balance as of January 1, 2004 was \$3,501. Deposits for the periods were \$78. Disbursements were \$74. The ending balance as of December 31, 2004 was \$3,505.

D. 1998 Tax Account

The 1998 tax escrow account is used to deposit any unrefundable duplicate payments and unexplained receipts in an interest bearing account. The beginning balance as of January 1, 2004 was \$5,126. Deposits for the period were \$115. Disbursements were \$109. The ending balance as of December 31, 2004 was \$5,132.

E. 1997 Tax Account

The 1997 tax escrow account is used to deposit any unrefundable duplicate payments and unexplained receipts in an interest bearing account. The beginning balance as of January 1, 2004 was \$3,388. Deposits for the period were \$76. Disbursements for the period were \$72. The ending balance as of December 31, 2004 was \$3,392.

The Sheriff has attempted to return overpayments to taxpayers. According to KRS 393.090, effective through June 23, 2003, property is presumed abandoned after seven years, after which time it is to be turned over to the Kentucky State Treasurer. After KRS 393.090 was amended, effective June 24, 2003, property is presumed abandoned after three years, after which time it is to be turned over to the Kentucky State Treasurer, in accordance with KRS 393.110.

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COMMENT AND RECOMMENDATION

BULLITT COUNTY
PAUL PARSLEY, COUNTY SHERIFF
COMMENTS AND RECOMMENDATIONS

For The Year Ended December 31, 2004

STATE LAWS AND REGULATIONS:

The Sheriff Should Require Depository Institutions To Pledge Or Provide Sufficient Collateral To Protect Deposits

On November 6, 2004, \$6,034,664 of the Sheriff's deposits of public funds in depository institutions were uninsured and unsecured. According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with Federal Deposit Insurance Corporation insurance, equals or exceeds the amount of public funds on deposit at all times. We recommend that the Sheriff require the depository institution to pledge or provide collateral in an amount sufficient to secure deposits of public funds at all times.

Sheriff's Response: We now have a program in effect to make sure this does not happen in the future.

INTERNAL CONTROL - REPORTABLE CONDITIONS:

None

PRIOR YEAR:

- The Sheriff Should Require Depository Institutions To Pledge Or Provide Sufficient Collateral To Protect Deposits

This was not corrected and is repeated in the current year.

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



The Honorable Kenneth Rigdon, Bullitt County Judge/Executive
The Honorable Paul Parsley, Bullitt County Sheriff
Members of the Bullitt County Fiscal Court

Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards

We have audited the statement of revenues, expenditures, and excess fees - regulatory basis of the Bullitt County Sheriff for the year ended December 31, 2004, and have issued our report thereon dated September 29, 2005. The County Sheriff's financial statement is prepared in accordance with a basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Bullitt County Sheriff internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Bullitt County Sheriff's financial statement for the year ended December 31, 2004, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion.

Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

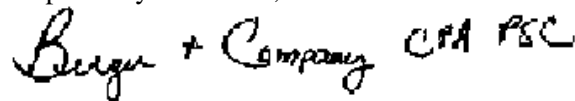
Compliance And Other Matters (Continued)

The results of our tests disclosed one instance of noncompliance or other matter that is required to be reported under Government Auditing Standards and which is described in the accompanying comment and recommendation.

- The Sheriff Should Require Depository Institutions To Pledge Or Provide Sufficient Collateral To Protect Deposits

This report is intended solely for the information and use of management and the Kentucky Governor's Office for Local Development, and is not intended to be and should not be used by anyone other than the specified parties.

Respectfully submitted,

A handwritten signature in black ink that reads "Berger & Company CPA PSC". The signature is written in a cursive, flowing style.

Berger & Company, CPA, PSC

Audit fieldwork completed -
September 29, 2005

